APPENDIX F

DIRECT TESTIMONY OF ROBERT E. BERDELLE

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STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Commonwealth Edison Company	)
	)
Notice of transfer of generating and associated assets and entry into related agreements pursuant to Section 16-111(g) of the Illinois Public Utilities Act.	))))

DIRECT TESTIMONY

OF

ROBERT E. BERDELLE

Q. Please state your name and business address.

A. Robert E. Berdelle, Commonwealth Edison Company ("ComEd"), 10 South Dearborn Street, Chicago, Illinois.

Q. What is your position with ComEd?

A. I am Vice President and Comptroller.

Q. What are your responsibilities in that position?

A. As Comptroller, I am responsible for the executive direction of the Company's accounting and budgeting organizations and the preparation and interpretation of all accounting reports and financial statements.

Q. Please provide your educational and employment background.

A. I hold the degree of Bachelor of Business Administration in Finance from the University of Notre Dame. I am a Certified Public Accountant in the State of Illinois. I am a member of the National Association of Business Economists and the Financial Executives Institute. I have been employed by ComEd since 1978. On December 16, 1998, I was appointed to my present position as Vice President and Comptroller of

ComEd. Prior that time, I served as Comptroller. I have also held a variety of positions, including Manager of Financial Reporting, Director of Strategic Analysis, Director of Revenue Requirements, Regulatory Project Manager, District Manager for an operating unit of the company and Regulatory Affairs Director.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to explain why the proposed transfer ("Transfer") of ComEd's nuclear generating assets to an affiliated generating company ("Exelon Genco"), as contemplated in the Contribution Agreement accompanying the Company's Notice as Appendix A, will not produce a strong likelihood of the need for a rate increase under Section 16-111(d) of the Illinois Public Utilities Act ("Act").

Q. Please describe the requirements for a rate increase under Section 16-111(d).

A. Under Section 16-111(d), an electric utility may seek an increase in base rates during the mandatory transition period where it demonstrates that the two-year average of its return on equity, adjusted to remove the effects of accelerated depreciation or amortization or other transition or mitigation measures, is less than the monthly average yields of 30-year treasury bonds for the same two-year period.

Q. Did ComEd prepare a projection of its earned returns on common equity through 2004?

A. Yes, it did. ComEd prepared projections of its earned returns on common equity through 2004 both with and without the Transfer. ComEd then compared the results to forecasted returns on 30-year United State Treasury bonds to determine if the projected earned returns in the "Transfer" case would fall below the forecasted Treasury bond rates and, thus, render ComEd eligible to seek a rate increase during the transition period. As I will discuss, in no case does ComEd's projected earned return for a relevant two-year period fall below the corresponding average Treasury bond rate.

Q. How did ComEd calculate the projected returns?

A. ComEd's projected earned returns on common equity were calculated for each year through December 31, 2004, both with and without the Transfer, using the methodology set forth in Section 16-111(d) of the Public Utilities Act (220 ILCS 5/16-111(d)). Thus, as required by that Section of the Act, ComEd made appropriate adjustments to remove the effects of accelerated depreciation and amortization expected to be recorded during each of the relevant years.

ComEd prepared projections based on each of the most extreme load retention scenarios: (a) with the assumption that ComEd continues to serve all of the load in its service territory, and (b) with the assumption that all customers take service from an alternative provider as soon as they become eligible to do so. In the 100 percent retention scenario, all non-residential customers were assumed to elect the purchase power option as soon as they were eligible to do so. This approach tends to overstate the adverse impact on earned returns because it incorporates the assumption that ComEd's revenues from these customers are reduced by the mitigation factor, a reduction that does not apply to customers taking bundled service from ComEd.

Q. Why did ComEd prepare projections based on these two scenarios?

A. At this time, it is uncertain what effects competition will have on customer loss and revenue attrition. As a result, we tested the extreme cases. If the earnings test for a rate filing were not met in either of those two cases, it would not be met at any level of customer loss between those two extremes. In other words, if ComEd's earned returns do not fall below the statutory bond yield "floor" under either of these scenarios, they will not fall beneath that floor at whatever load level between those two extremes ComEd is actually called upon to serve.

Q. What are the projected earned returns on common equity in the "no Transfer" and "Transfer" cases?

A. The projected returns are set forth in Appendix L to the Notice.

Q. Are the returns set forth in Appendix L projections of what ComEd actually expects its returns on common equity to be, for financial reporting purposes, under the various scenarios studied?

A. No. The returns contained in Appendix L are higher than the returns that ComEd would actually expect to achieve. This is because the projected return calculations include the adjustments, which I previously discussed, as required by the Section 16-111(d) of the Act. These adjustments produce a projected return that is higher than it would be without the required adjustments.

Q. To what Treasury bond forecast did ComEd compare its projected earned returns?

A. The Treasury bond yields are set forth in Appendix L to the Notice.

Q. What was the source of the Treasury Bond yield forecasts set forth in Appendix L?

A. ComEd utilized the Treasury bond yields forecasted by Regional Financial Associates ("RFA"). RFA provides analyses of the United States economy to institutional, corporate and government clients in the United States, Canada and Europe. RFA's services include publications, historical and forecast data bases and consulting.

Q. Is RFA an accepted source for the type of information utilized by ComEd in its analyses?

A. Yes. RFA is commonly recognized as an accepted source of Treasury bond forecasts and other similar information. Its forecasts are widely used by the financial community.

Q. What was the result of the comparison of the projected earned returns on common equity to the forecasted Treasury bond rates?

A. As shown in Appendix M, the projected earned returns on common equity through 2004 show that the Transfer will not affect ComEd's earned returns such that there is any likelihood that ComEd would be entitled to seek an increase in its base rates druing the mandatory transition period. Indeed, even under the extreme scenarios studied, in all of the two-year averages of the "Transfer" cases, ComEd's projected average earned return is significantly higher than the corresponding forecased two-year average Treasury bond yield.

Q. Did ComEd perform an sensitivity analyses to determine what would be the result if the actual Treasury bond yield is greater or less than that forecasted by RFA?

A. Yes. An sensitivity analyses, ComEd compared its calculated earned returns to Treasury bond yields two statistical standard deviations higher and lower than RFA's forecasted yields. The standard deviations were calculated using historical monthly data from January 1995 through December 1999. The resulting yields are shown in Appendix M. The forecasted yields are within the range of the historical yields used in the calculation of the standard deviations, and there is a probability of approximately 95 percent that the actual Treasury bond yields will be within two standard deviations of the yields forecasted by RFA.

Q. What were the result of the sensitivity analyses?

A. The sensitivity analyses confirm the result of the base analyses: in no case does ComEd's earned return fall below the level of the bond yield and, thus, in no case would ComEd be eligible to apply for a rate increase because of the Transfer.

Q. Does this conclude your statement?

A. Yes.